



# STATE BOARD OF EQUALIZATION STAFF LEGISLATIVE ENROLLED BILL ANALYSIS

DRAFT

Date Amended:	Enrolled	Bill No:	<a href="#">AB 1188</a>
Tax:	Underground Storage Tank Fee	Author:	Ruskin
Related Bills:			

***This analysis only addresses the provisions that impact the Board.***

## BILL SUMMARY

Among other things, this bill would temporarily increase the underground storage tank maintenance fee by an additional \$0.006 per gallon of petroleum stored, beginning January 1, 2010, and ending January 1, 2012.

## ANALYSIS

### CURRENT LAW

Under current Section 25299.41 in Article 5 (commencing with Section 25299.40) of Chapter 6.75 of Division 20 of the Health and Safety Code, an owner of an underground storage tank is required to pay a storage fee of six mills (\$0.006) for each gallon of petroleum (including, but not limited to, gasoline and diesel fuel) placed in an underground storage tank which he or she owns. Section 25299.43 imposes an additional fee of eight mills (\$0.008) for a total underground storage fee of fourteen mills (\$0.014) per gallon of petroleum stored in the tank. The fees, which are reported and paid to the Board of Equalization (Board), are deposited into the Underground Storage Tank Cleanup Fund and are earmarked for the cleanup of leaking tanks. This fee is due to sunset on January 1, 2016.

### PROPOSED LAW

This bill would amend Health and Safety Code Section 25299.43 to temporarily increase the storage fee by an additional six mill (\$0.006) for each gallon of petroleum placed in an underground storage tank, on and after January 1, 2010, for a total of twenty mills (\$0.020) per gallon. The increase is effective until December 31, 2012, at which time the fee will revert back to the previous rate of fourteen mills (\$0.014).

The bill is effectively immediately, but the temporary rate increase is not operative until January 1, 2010.

### BACKGROUND

The Underground Storage Tank Cleanup Fund was originally established in 1989 by SB 299 (Keene). Subsequent legislation affected fees, fund accounts, repeal dates, and various other provisions.

AB 1906 (Stats. 2004, Ch. 774) was the last bill that increased the UST fee. The fee was increased by one mill (\$0.001) on January 1, 2005, and by another one mill (\$0.001) on January 1, 2006.

SB 1161 (Stats. 2008, Ch. 616), among other things, extended the sunset date of the fee to January 1, 2016.

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***This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the Board's formal position.***

**COMMENTS**

- 1. Sponsor and Purpose.** According to the author's office, this bill is sponsored by the California Independent Oil Marketers Association (CIOMA) to provide a source of funds for reimbursement of expenses related to the cleanup of leaking underground storage tanks.
- 2. Key Amendments.** The **October 14, 2009 amendments** revised the end date of the temporary rate increase from December 31, 2012, to January 1, 2012. The temporary rate increase would then be in effect for the calendar years 2010 and 2011.
- 3. A temporary rate increase of the underground storage tank fee would not create administrative problems for the Board.** While the bill takes effect immediately, the temporary rate increase does not go into effect until January 1, 2010.

Section 25299.51 of the Health and Safety Code allows the State Water Resources Control Board to expend revenues to pay the administrative costs of the Board.

**COST ESTIMATE**

The Board would incur insignificant costs (\$10,000 or below) related to the rate change, including notifying affected fee payers and industry, programming changes, and updating returns and publications. The Board is committed to absorbing the administrative costs to implement the increase in the underground storage tank fee.

**REVENUE ESTIMATE****BACKGROUND, METHODOLOGY, AND ASSUMPTIONS**

The bill proposes a fee increase in the amount of \$0.006 for each gallon of petroleum stored in underground tanks. We estimate that this fee increase would increase revenues by an estimated \$105 million ( $\$0.006 \times 17.5$  billion gallons = \$105 million) in 2010, and an estimated \$107 million ( $\$0.006 \times 17.8$  billion gallons = \$107 million) in 2011.

**REVENUE SUMMARY**

The following are estimated additional revenues for 2010 and 2011:

Year	Total Consumption	Proposed Fee	Revenue
2010	17,504,384,878	\$0.006	\$105,026,309
2011	17,834,470,662	\$0.006	<u>\$107,006,824</u>
			\$212,033,133

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